

Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2015



November 5, 2014
Exchange where listed: TSE

Name of listed company : **TERUMO CORPORATION**
(URL <http://www.terumo.com/>)
Company code number : 4543
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1. Consolidated Financial Highlights for the Six Months Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(1) Consolidated operating results (Notes: The amounts shown below ignore values of less than a million yen)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Six months ended September, 2014	233,309	3.2	32,990	8.3	34,039	15.1	21,879	12.4
Six months ended September, 2013	226,028	17.8	30,470	8.0	29,568	22.1	19,458	34.0

(Notes) Comprehensive income: September 2014: 43,173million yen (18.2%) September 2013: 36,540million yen (-%)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
Six months ended September, 2014	57.62	57.61
Six months ended September, 2013	51.24	51.24

(Notes) Terumo Corporation executed a two-for-one stock split on its common shares effective April 1, 2014.
Net income per share and Net income per share, fully diluted have been adjusted retrospectively to reflect the effect of the stock split.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
As of September 30, 2014	866,837	536,185	61.9	1,411.84
As of March 31, 2014	832,814	496,245	59.6	1,306.72

(Notes) Shareholders' equity: September 30, 2014: 536,141 million yen March 31, 2014: 496,225 million yen

Terumo Corporation executed a two-for-one stock split on its common shares effective April 1, 2014.

Net asset per share has been adjusted retrospectively to reflect the effect of the stock split.

2. Dividends

	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended March, 2014	—	29.00	—	29.00	58.00
Year ending March, 2015	—	14.50	—	—	—
Year ending March, 2015 (forecast)	—	—	—	14.50	29.00

(Notes) Revise of dividends forecast : None

Terumo Corporation executed a two-for-one stock split on its common shares effective April 1, 2014.

Cash dividends per share for the year ending March, 2015 and the year ending March, 2015 (forecast) have reflected this stock split.

3. Consolidated Forecast for the Year Ending March 2015 (From April 1, 2014 to March 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Year ending March, 2015	488,000	4.4	64,000	(2.0)	62,000	(2.8)	33,500	(1.7)	88.22

(Notes) Forecast for fiscal year ending March, 2015 which was announced on May 8, 2014 has been revised.

(Assumed exchange rate for fiscal year ending March, 2015: USD1=JPY100, EUR1=JPY140)

Among the information that Terumo discloses, forecasts of financial performance on future projections contain potential risks and uncertainty since these are forecasts on projections made by Terumo based on limited information available at the moment of disclosure. Accordingly, it should be noted that actual results may differ from those forecasts on projections due to various factors. Factors affecting to actual results include, but are not limited to, changes in economic conditions surrounding Terumo, fluctuations of foreign exchange rates, and state of competition.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014		As of September 30, 2014	
	Amount	%	Amount	%
(Assets)				
I Current assets	310,985	37.3	322,345	37.2
Cash and deposits	95,618		103,988	
Notes and accounts receivable-trade	101,520		98,636	
Marchandise and finished goods	60,034		64,501	
Work in process	10,262		11,214	
Raw materials and supplies	23,668		24,841	
Deferred tax assets	12,340		11,362	
Other	8,933		9,214	
Allowance for doubtful accounts	(1,394)		(1,414)	
II Noncurrent assets	520,332	62.5	542,151	62.5
1. Property, plant and equipment	157,755	18.9	169,236	19.5
Buildings and structures	54,215		60,812	
Machinery, equipment and vehicles	43,916		44,563	
Land	21,757		21,851	
Lease assets	406		841	
Construction in progress	27,974		31,557	
Other	9,483		9,611	
2. Intangible assets	304,756	36.7	312,732	36.1
Goodwill	154,161		158,186	
Customer relationships	93,968		96,977	
Other	56,626		57,569	
3. Investments and other assets	57,820	6.9	60,181	6.9
Investment securities	37,954		42,050	
Deferred tax assets	5,323		369	
Retirement benefit asset	2,573		5,535	
Other	11,969		12,225	
III Deferred assets	1,496	0.2	2,340	0.3
Total assets	832,814	100.0	866,837	100.0

(Millions of yen)

	As of March 31, 2014		As of September 30, 2014	
	Amount	%	Amount	%
(Liabilities)		%		%
I Current liabilities	160,936	19.3	150,950	17.4
Notes and accounts payable-trade	38,147		36,633	
Short-term debt	260		362	
Current portion of long-term debt	4,652		4,945	
Lease obligations	225		181	
Current portion of bonds payable	40,000		40,000	
Income taxes payable	18,401		9,974	
Deferred tax liabilities	94		56	
Provision for bonuses	4,849		5,125	
Provision for directors' bonuses	109		59	
Notes and accounts payable-facilities	8,425		10,018	
Other	45,769		43,593	
II Noncurrent liabilities	175,632	21.1	179,701	20.7
Bonds payable	40,000		40,000	
Long-term debt	76,769		81,466	
Lease obligations	299		304	
Deferred tax liabilities	47,795		47,577	
Provision for directors' retirement benefits	66		66	
Retirement benefit liability	3,124		4,041	
Asset retirement obligations	220		225	
Other	7,354		6,018	
Total liabilities	336,568	40.4	330,651	38.1
I Shareholders' equity	444,396	53.4	463,020	53.4
Capital stock	38,716		38,716	
Capital surplus	52,103		52,103	
Retained earnings	353,600		372,233	
Treasury stock	(24)		(32)	
II Accumulated other comprehensive income	51,828	6.2	73,120	8.5
Valuation difference on available-for-sale securities	11,269		13,961	
Deferred gains or losses on hedges	(2)		—	
Foreign currency translation adjustments	43,377		62,040	
Accumulated adjustments for retirement benefit	(2,816)		(2,881)	
III Stock subscription rights	20	0.0	43	0.0
Total net assets	496,245	59.6	536,185	61.9
Total liabilities, net assets	832,814	100.0	866,837	100.0

(2) Consolidated Statements of Income

(Millions of yen)

	For six months ended			For six months ended		
	September 30, 2013			September 30, 2014		
	Amount		%	Amount		%
I Net sales	226,028		100.0	233,309		100.0
II Cost of sales	108,881		48.2	110,370		47.3
Gross profit	117,146		51.8	122,939		52.7
III Selling, general and administrative expenses	86,676		38.3	89,948		38.6
Operating income	30,470		13.5	32,990		14.1
IV Non-operating income						
Interest income	180			235		
Dividends income	170			184		
Royalty income	53			95		
Foreign exchange gains	659			2,467		
Equity in earnings of affiliates	68			—		
Other	512	1,645	0.7	677	3,659	1.6
V Non-operating expenses						
Interest expenses	724			502		
Sales discounts	314			339		
Equity in losses of affiliates	—			5		
Loss on disposal of inventories	73			243		
Other	1,435	2,547	1.1	1,519	2,610	1.1
Ordinary income	29,568		13.1	34,039		14.6
VI Extraordinary gains						
Gain on sales of noncurrent assets	7			130		
Gain on transfer of businesses	299			—		
Gain on adjustment of account payable	—	307	0.1	1,905	2,035	0.9
VII Extraordinary losses						
Loss on disposal of noncurrent assets	151			397		
Impairment loss	558			1,225		
Loss on liquidation of subsidiaries and affiliates	—			371		
Directors' retirement benefits	33			—		
Loss on liquidation of business	873	1,616	0.7	—	1,993	0.9
Income before income taxes and minority interests	28,258		12.5	34,081		14.6
Income taxes-current	9,284			11,858		
Income taxes-deferred	(514)	8,769	3.9	343	12,201	5.2
Income before minority interests	19,488		8.6	21,879		9.4
Minority interests in income	30		0.0	—		—
Net income	19,458		8.6	21,879		9.4

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	For six months ended September 30, 2013		For six months ended September 30, 2014	
	Amount		Amount	
I Income before minority interests	19,488		21,879	
II Other comprehensive income				
Valuation difference on available-for-sale securities	2,572		2,691	
Deferred gains or losses on hedges	10		2	
Foreign currency translation adjustments	14,471		18,663	
Adjustments for retirement benefit	—		(65)	
Share of other comprehensive income of associates accounted for using equity method	(3)	17,051	1	21,293
Comprehensive income		36,540		43,173
Attributable to:				
Shareholders of Terumo Corporation		36,553		43,173
Minority interests		(13)		—

(4)Notes

<Significant accounting policies in preparing the consolidated financial statements>

Changes in accounting policy

(Adoption of Accounting Standard for Retirement Benefits)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")), and the method of calculating retirement benefit obligations and service costs are revised, with the method of attributing benefits to accounting periods changed from the straight-line basis to the benefit formula basis, and the method of determination of the discount rate changed to several weighted average discount rates which are set at the time of each expected retirement benefit payment.

In accordance with the article 37 of the Statement No. 26, the effect of the change in calculation methods of retirement benefit obligations and service costs arising from initial application has been recognized in "Retained earnings" at the beginning of the first quarter of the fiscal year ending March 31, 2015.

As a result, "Retirement benefit assets" and "Retained earnings" have increased by ¥3,509 million and ¥2,258 million, respectively, at the beginning of the current second quarter of the fiscal year ending March 31, 2015. "Operating income", "Ordinary income" and "Income before income taxes and minority interests" have increased by ¥316 million, respectively, for the current second quarter.

<Subsequent Event>

Transforming product portfolio of Hospital and Laboratory Business in Europe

Terumo will transform product portfolio of Hospital and Laboratory business in Europe towards sustainable and profitable growth. Accordingly, Belgium based Terumo Europe N.V. has informed its Works Council after the board meeting of Terumo Europe N.V. held on October 23, 2014 of its intention in that regard.

Hospital and Laboratory business in Europe is experiencing significantly changing market dynamics such as health care reforms, price pressure, and increased production costs. To adapt to these new market dynamics, Terumo decided to revise its strategy; Terumo Europe N.V. intends to transit its activities of production and sales of Hospital and Laboratory business (main products: syringe and blood collecting tube for hospital use). If the intended plan would be implemented, up to 260 employees could be impacted in Europe by March 2016.

On another front, the company will continue to focus on and invest in further development of value added activities in the Drug & Device (business-to-business with pharmaceutical companies) and Interventional Systems businesses.

The impact on Terumo's financial results is estimated at about ¥6.4 billion at the present time, and will be recognized as "Extraordinary losses" in the third quarter.

5. Segment Information

[Reportable Segments]

(1) The Second Quarter of Fiscal Year Ended March 31, 2014

(Millions of yen)

	Reportable Segments				Adjustment	Total
	Cardiac & Vascular Company	General Hospital Company	Blood Management Company	Subtotal		
Sales and operating income:						
Sales to customer	100,758	81,177	44,077	226,013	15	226,028
Internal sales	—	—	—	—	—	—
Sales total	100,758	81,177	44,077	226,013	15	226,028
Segment income (Excl. Amortization)	20,095	10,862	8,933	39,891	(1,391)	38,500
Segment income (loss)	19,121	10,862	1,876	31,861	(1,391)	30,470
Segment income%(Excl. Amortization)	19.9	13.4	20.3	17.6	—	17.0

Notes: 1. The (1,391) million yen adjustment to segment income is the sum of (497) million yen for inventories and (893) million yen for others.

2. Segment income is adjusted to be consistent with “Operating income” shown on the quarterly consolidated statements of income.

(2) The Second Quarter of Fiscal Year Ending March 31, 2015

(Millions of yen)

	Reportable Segments				Adjustment	Total
	Cardiac & Vascular Company	General Hospital Company	Blood Management Company	Subtotal		
Sales and operating income:						
Sales to customer	108,911	78,394	46,004	233,309	—	233,309
Internal sales	—	—	—	—	—	—
Sales total	108,911	78,394	46,004	233,309	—	233,309
Segment income (Excl. Amortization)	21,451	9,606	9,317	40,375	942	41,317
Segment income (loss)	20,489	9,606	1,952	32,048	942	32,990
Segment income%(Excl. Amortization)	19.7	12.3	20.3	17.3	—	17.7

Notes: 1. The 942 million yen adjustment to segment income is the sum of 213 million yen for inventories and 728 million yen for others.

2. Segment income is adjusted to be consistent with “Operating income” shown on the quarterly consolidated statements of income.

(Changes in the name of segments)

“Cardiac & Vascular Business”, “General Hospital Business” and “Blood Management Business” changed their names to “Cardiac & Vascular Company”, “General Hospital Company” and “Blood Management Company”, respectively, from the first quarter of fiscal year ending March 31, 2015. This change is reflected retrospectively.

(Changes in the composition of segments)

Sales and expenses related to the domiciliary oxygen system business and the domiciliary infusion pump business which were transferred, and the next generation implantable left ventricular assist system business which was entered into a strategic alliance in the previous fiscal year are allocated to “Adjustment.”

As a result of these changes, compared to the previous classification, the segment income of Cardiac & Vascular Company for the second quarter of fiscal year ended March 31, 2014 has increased by ¥323 million. The segment income of General Hospital Company and “Adjustment” have decreased by ¥2 million and ¥321 million, respectively.

(Note) Main products belonging to each business segment

Business segments	Sub-segments	Main products
Cardiac & Vascular Company	Interventional Systems	Angiographic catheters, PTCA balloon catheters, Coronary stents
	Neurovascular	Neuro interventional coils, etc.
	CV Systems	Oxygenators, Cardio-pulmonary bypass system, etc.
	Vascular Graft	Artificial vascular grafts, Stent grafts
General Hospital Company	General Hospital Products	Syringes, Needles, Blood collection tubes, Solution sets, I.V.catheters, Infusion pumps, Syringe pumps, etc.
	DM and Consumer Healthcare	Blood glucose monitoring systems, Digital thermometers, Blood pressure monitors, etc.
	Pharmaceutical and Nutrition	I.V.solutions, Nutritious food, CAPD systems, etc.
	D&D	Prefilled syringes, Pain management systems etc.
Blood Management Company	—	Blood bags, Automated blood collection system, Therapeutic apheresis system, Cell expansion system, etc.